CONSUMER ELECTRONICS

Predicasts Predicts:

Newer Items to Help Tune Up CE Market To $58B by 1995

CLEVELAND—The consumer electronics market is expected to grow from $23 billion in 1982 to $58 billion by 1995, according to Predicasts, a Cleveland-based business research firm.

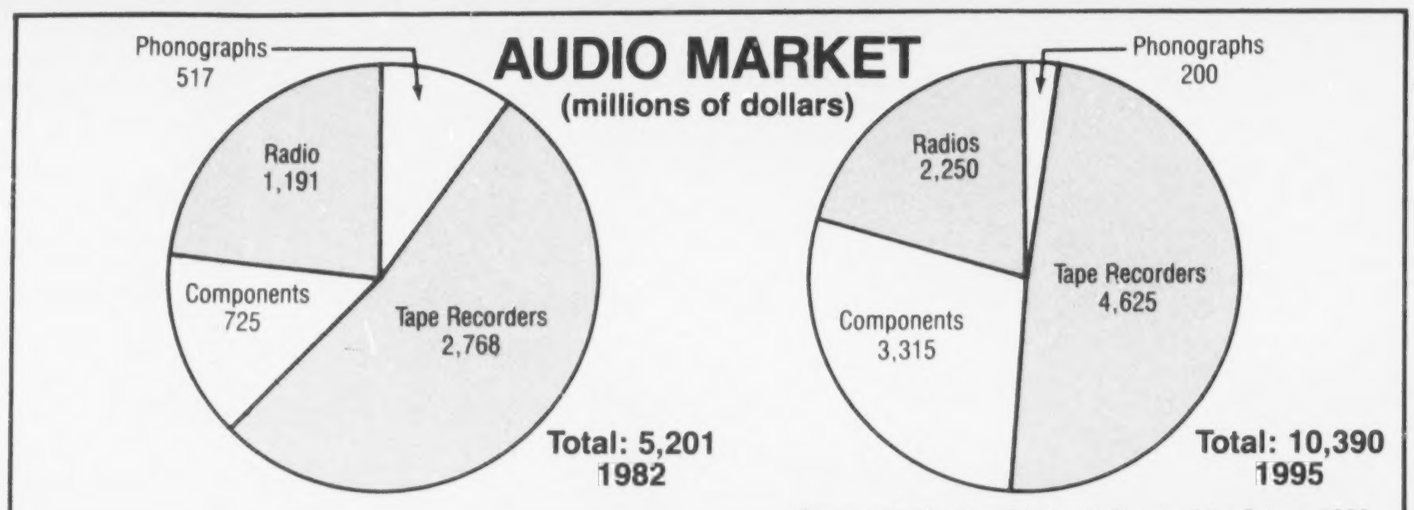
Established product categories like audio and video goods are expected to remain strong. Newer areas like videotex/teletext, home computers, digital audio discs (DAD's) and AM stereo radios will also account for a major portion of sales.

The data are derived from Predicasts' *Electronic Home of the Future*, a just-released study on the consumer electronics market.

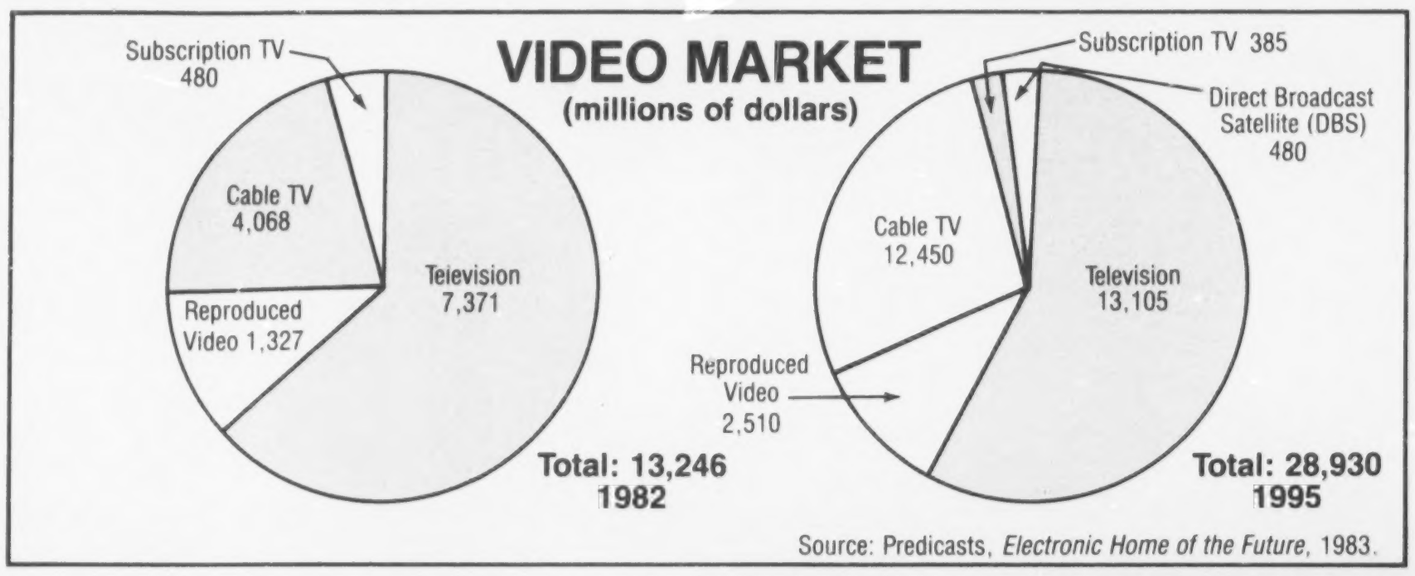
Videotex/teletext, slated to grow out of an increased national demand for leisure products and time, is projected to expand at the rate of 80% a year, going from slightly more than $100 million in 1982 to more than $2 billion in 1987. Afterward, its growth will moderate somewhat, but it is expected to reach the $10 billion mark by 1995, the report said.

Paced by television sales and cable television revenues, the rest of the video segment is expected to remain strong during the period. Television set sales are projected to increase from $7 billion in 1982 to $10 billion in 1987, as households are expected to add second, third and fourth sets, according to the study.

(Continued on page 53)



Source: Predicasts, *Electronic Home of the Future*, 1983.



Source: Predicasts, *Electronic Home of the Future*, 1983.

Rave

(Continued from page 30)

$450 range.

"If you know of a way that I can get them in here, I'm listening," Jacobson said of one brand, in particular. "We have tried repeatedly to move the TV lineup and it's been frustrating, at best."

The audio area also includes a 12-ft. gondola run of personal stereos, priced mostly in the $15 to $50 range. There are no high-end units in the assortment typically associated with the high end.

Jacobson's pet, clearly though, is his computer department, which he has found the most challenging and volatile.

While Rave has identified major full-line discount chains, specifically Target and K mart, as its most significant competition, it has gone a step further in its offerings and service approach.

While Rave's prices on keyboards were competitive with the full-line stores, they failed to meet or beat them. For example, Rave advertised the Commodore 64 keyboard at $206, while most other discounters in the market were priced at $199.

Still, Rave has become one of Commodore's leading retailers in the Southwest, according to Jacobson, who cites service as the reason.

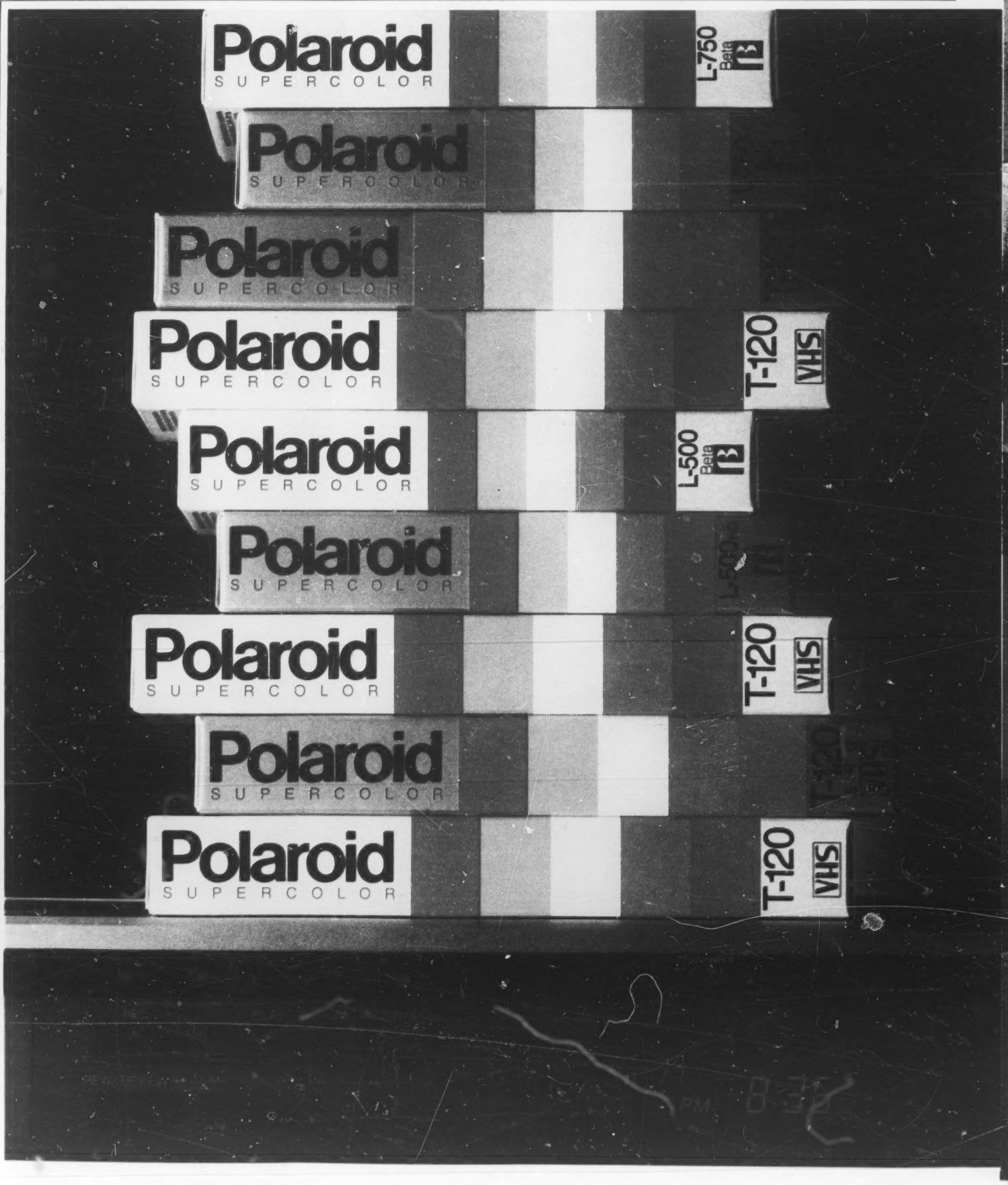
The computer departments are typically serviced by one or two people who have been trained or who have other background in home computers. It's not uncommon to find one of them working out a bug in a system for a previous customer.

Jacobson, however, said there are no previous customers, only continuing ones. He justified the department's heavy dose of service by mandating that every service contact be treated as a renewed sales opportunity.

Even with the absence of saner prices, and with Rave's own growing pains, Jacobson said the service orientation won't change.

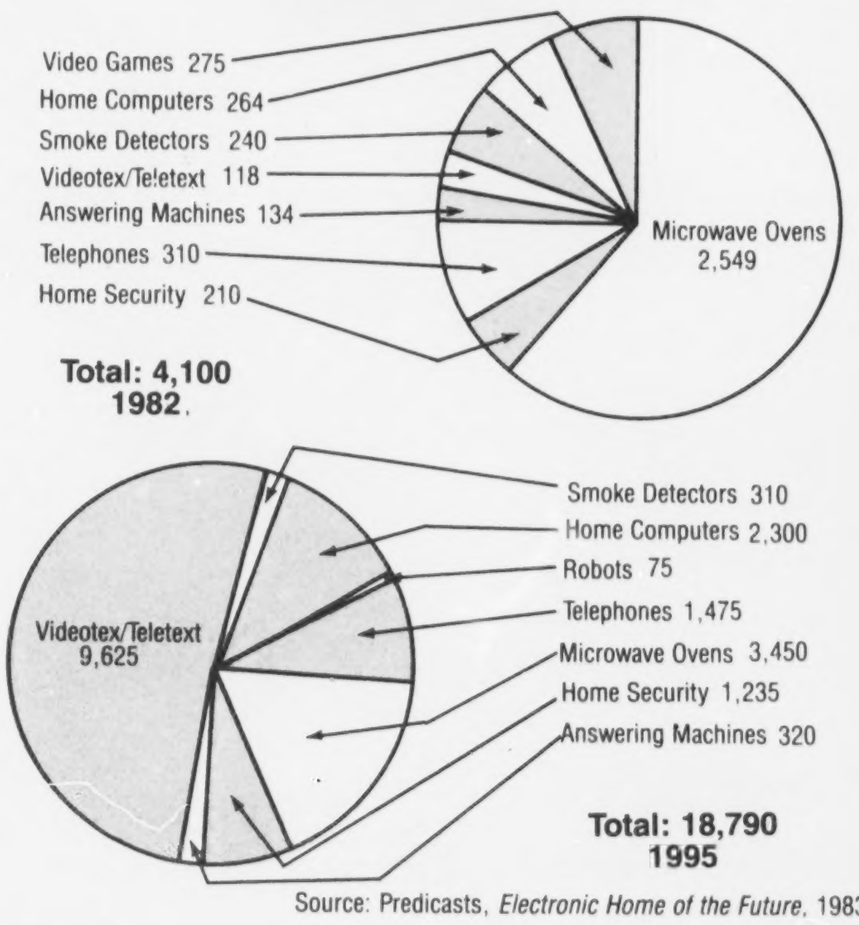
He believes the chain will grow—though not now.

"We're still learning, like everyone else," he said. "And, we'll think about expanding again, when we learn a little more."



CONSUMER ELECTRONICS

CE MARKET
(other than audio, video)
(millions of dollars)



Source: Predicasts, *Electronic Home of the Future*, 1983.

TV Turns on the Customers Again

After several years of disappointing TV sales, catalogers like Best Products, Fairfax, Va., report renewed customer interest in everything from 13-in. black & white models to color units of all sizes.

(DSN photo)

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Introducing Polaroid Supercolor Videocassettes. In VHS and Beta tape formats. In Super High Grade and Standard quality. In a variety of recording lengths.

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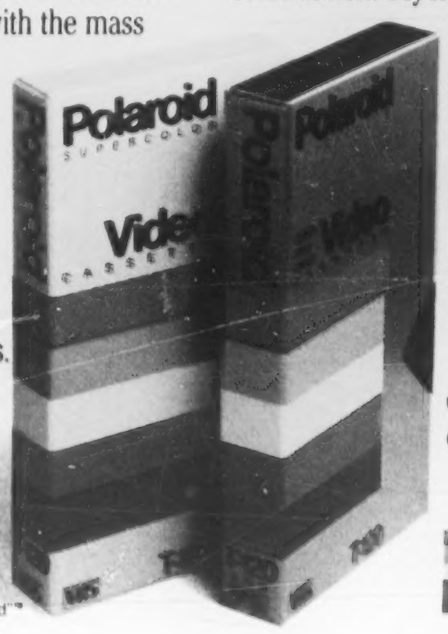
The time is now. The fact is, the VCR market is about to explode. And Polaroid is the one company with the mass marketing clout and technical expertise to light the fuse. Right now.

Instant New Business. Will new Polaroid Supercolor generate instant new business? Consider the results of exhaustive research conducted by Polaroid.

Over half of current VCR owners already own a Polaroid instant camera. 72% attribute a favorable image to Polaroid and its products. 97% rate Polaroid videotape a good idea. And 64% of those who saw concept advertising indicated an extreme or likely intent to purchase.

The facts speak for themselves. Polaroid will do for videotape what it did for instant photography.



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The power of Polaroid marketing. Polaroid built an entire industry on dynamic consumer marketing and advertising. On prime-time television. And in major national magazines. We'll do the same for new Supercolor videocassettes.

What's more, innovative promotions will bring customers to your counter. To look for the Polaroid name. To ask for Polaroid Supercolor.

The Polaroid Commitment. Now Polaroid expands its commitment beyond instant photography to a new world of instant imaging.

The introduction of Polaroid Supercolor is the turning point for a rapidly emerging source of new profits. Finally, there's a premium-quality videotape consumers are willing to pay for.

There's never been a better time to get into video. Because starting right now, the deck is stacked in your favor.

To contact your Polaroid Representative, call toll free, (800) 225-1210. In MA, AK, HI call collect, (617) 577-4229.

And start recording profits.

Polaroid

$58 Billion

(Continued from page 52)

During the same period, cable television revenues are expected to rise from $4 billion to more than $7 billion. By 1995, television set sales should equal $13 billion and cable television revenues $12 billion.

Sales of reproduced video equipment—e.g., videocassettes and video discs—grew 54% between 1972 and 1982. They are expected to reach the $2 billion mark by 1987 and $2.5 billion by 1995, according to the report.

Audio will increase to a $6.5 billion market by 1987, up from $5 billion in 1982, the report stated. By 1995, it will have grown to $10 billion, paced by movement in AM stereo radios in both portable and high-fidelity forms.

New Moves

The study predicted that receiver manufacturers and broadcasters will soon agree on a single industry standard, a move that became necessary when the Federal Communications Commission decided several years ago to let the open marketplace decide this question.

In addition, the market for audio components is slated to grow by annual 14% increments until 1987, after which it will settle back to an 11%-a-year growth through 1995.

One other area of consumer electronics that is expected to grow is the telecommunications market. Practically nonexistent in 1982, this budding market was spawned by industry deregulation and the breakup of A.T.&T. By 1987, telephone manufacturers are expected to garner $1 billion in sales, a 24% yearly increase from the 1982 total of $300 million. By 1995, telephone sales are projected to approach $1.5 billion. Telephone answering machines are also expected to exhibit steady growth during this period, the study said.

Other products slated to grow into the 1990's include home computers, home security devices, microwave ovens and personal robots. While the latter may initially be viewed as a toy, it is expected to mature into a domestic servant, according to Predicasts.

Discounters' Net Sinks in Latest Fiscal Year

(Continued from page 2)
statistics for department stores with sales exceeding $100 million). The NMRI study measures performance of 28 discount chains operating 3,426 stores with aggregate sales of $15.1 billion.

Fifteen major merchandising categories were tracked by *DSN* from statistics in the reports. The figures showed that in battling the recession, discounters and department stores lured shoppers in different ways.

Discounters raised markups in 13 key categories and took higher markdowns as a percentage of sales in 10 categories compared with the fiscal 1981-82 period. Department stores raised markups in just six categories and lowered them in five. Markdowns were greater in eight categories and lower in three.

On the bright side for department stores, net operating expenses were shaved to 37.3% of total sales from 37.47% last year. In addition, overall stock shortages fell to 1.85% of total sales from 2.12% a year earlier. Average customer transactions rose from $21.54 to $22.18.

Discounter stock shortages climbed a substantial 13% to 1.73% of total sales.

The thrust for both types of retailers was aggressive pricing and minimal changes in gross margins taken. Compared with discounters' 1.4% drop in gross margins to 29.05%, department store gross margins declined 3% to 40.16%. Discounters' gross margins were up in seven of the 15 key categories and down in six. Department stores' were up in just three, down in nine.

Department stores cut inventory levels more sharply to conserve cash and limit interest expenses. This effort showed up as a considerable 9.2% drop in turns to 3.06. Discounters, however, improved their turns 4.1% to 3.27.

Among the key categories, discounters' turns rose in nine and fell in two; at department stores, turns in four were up and down in six.

Harsh evidence of retailer economic struggles in the fiscal 1982-83 period blared in the soft goods area. It was equally true for discounters and department stores that they "bought" apparel and accessory sales at the expense of profits.

Discounter markups edged minimally higher in apparel: women's wear rose 0.4%; men's wear 8%; children's wear 3.8%; fabrics, notions and yarn 3.4%. Similarly, department stores raised markups by 0.2% and 0.8% in women's and men's wear, and 0.4% in fabrics, notions and yarn.

These were balanced, however, by more significant boosts in markdowns, which hurt department stores especially. Discounters took 6.5% greater markdowns in women's wear; 16.8% in men's wear; 16.4% in children's wear; 11.7% in fabrics, notions and yarn. Department store markdowns increased by 8.3% and 21.7% in women's and men's wear; 7.9% in children's wear; 23.9% in fabrics, notions and yarn.

Discounter performance was also mixed on soft goods gross margin, stock shortage and turns. Men's and children's wear gross margins fell 2.5% and 2.9%, respectively, while women's wear rose 3.1% and fabrics, notions and yarn was up 2.5%.

Adding It Up

Discounters controlled stock shortages better in the categories of men's and women's wear than in those of children's apparel and fabrics, notions and yarn. Improved performance by 6.6% and 19% in the first two categories contrasted with poorer performance in the latter two, up 22% and 62%, respectively.

Among the key hard lines categories, discounter markups rose in all except toys and records, photo and books. However, because markdowns were also greater for almost all these categories, gross margins were lower overall.

Department stores, on the other hand, took higher hard lines markups on hardware, housewares and toys compared with a year earlier. Despite stock shortage improvements, lower gross margins resulted in seven categories from higher markdowns and largely lower turns.

Department stores also garnered mixed results on apparel. Women's wear had a 0.2% gain in markup, a 2.7% boost in stock shortage and a 2.5% climb in turns offset by an 8.3% increase in markdowns. The result was a modest 1.1% gross margin gain.

Men's wear gross margins slipped 1.6%—the effects of a 21.7% increase in markdowns, an 8.7% rise in stock shortages, a 9.7% drop in turns and a 0.8% increase in markup.

In children's wear, gross margins remained the same, despite an 8% jump in markdowns and a 4.5% climb in stock shortages. Markup and turns remained stable.

Discounters vs. Dept. Stores

Department	Markup[1] Discount Store	Markup[1] Dept. Store	Markdown[2] Discount Store	Markdown[2] Dept. Store	Stock Shortage[3] Discount Store	Stock Shortage[3] Dept. Store	Gross Margin Discount Store	Gross Margin Dept. Store	Turns Discount Store	Turns Dept. Store	Sales as % of Total Volume[4] Discount Store	Sales as % of Total Volume[4] Dept. Store
Auto Accessories	32.3%	N.A.	7.1%	N.A.	1.5%	N.A.	26.7%	N.A.	3.3	N.A.	4.6%	N.A.
Major Appliances	N.A.	26.5%	N.A.	6.4%	N.A.	1.1%	N.A.	22.3%	N.A.	3.7	0.1	1.1%
Home Electronics	23.1	27.4	8.5	8.1	1.8	2.2	17.0	22.4	2.9	3.7	3.5	1.9
Small Appliances	23.4	26.4	7.3	6.7	1.2	2.1	18.3	21.1	3.3	2.7	1.9	1.2
Housewares	38.5	45.3	9.6	10.7	0.6	1.3	32.5	41.0	3.0	1.8	4.4	1.9
Hardware[A]	38.9	41.7	7.9	9.3	2.9	4.5	31.9	33.9	3.0	1.8	7.8	0.7
Records, Photo and Books	24.1	29.8	3.6	5.1	2.5	4.4	19.7	25.7	3.1	1.9	3.0	0.7
Toys	33.3	42.6	7.9	13.5	1.8	2.2	27.8	35.6	3.1	2.2	4.9	0.5
H&BA	25.0	35.7	4.8	1.3	2.1	1.2	21.3	34.9	4.4	3.5	8.6	4.6
Women's Apparel & Accessories[B]	44.6	51.3	13.1	20.9	1.7	3.6	36.5	44.7	4.2	4.0	13.1	22.5
Men's Wear	41.3	50.2	9.7	14.0	1.4	2.5	34.7	43.8	3.6	2.8	6.9	12.8
Children's Wear	40.3	49.3	9.9	13.6	1.1	2.3	33.4	44.6	4.0	3.3	7.7	6.3
Fabrics, Notions and Yarn	39.4	47.7	9.5	10.9	1.3	3.4	33.1	43.0	2.5	1.7	6.9	N.A.
Sporting Goods	32.1	44.3	6.9	17.5	1.7	3.4	26.3	34.8	2.2	2.0	3.5	0.6
Stationery and Greeting Cards	41.7	46.9	4.3	6.8	1.0	1.9	39.4	43.8	3.6	2.9	2.9	1.3

Discount store figures are combined dollar averages; (conventional) department store figures are medians. N.A.—Not available.

[1] Cumulative figures, including transportation costs. [2] Figures include employee discounts. [3] At retail. [4] Discount store figures are percentages of total sales for chains with sales in the specific departments; department store figures are percentages of total consolidated store volume.

[A] Department store figures exclude paint and related supplies, lawn and garden. [B] Discount store figures include intimate apparel and accessories, which aren't included in department store statistics. Latter's median figures for this category are: markup, 51.5%; markdown, 8.3%; stock shortage, 2.3%; gross margin, 49%; turns, 3.1, and sales percentage, 11.5%.

Sources: For discount stores: NMRI's Operating Results of Self-Service Discount Department Stores, 1982-83. *For department stores: NRMA's* 1983 MOR report of 1982 Merchandising and Operating Results.

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Telephone, Answering-Machine Market

	1972	1977	1982	1987	1995
Population (millions)	209.30	219.80	232.00	243.50	260.50
Households (millions)	66.70	74.10	83.50	92.90	105.00
TELEPHONES					
Per Capita	0.46	0.55	0.63	0.70	0.81
Per Household	1.44	1.62	1.74	1.83	2.00
Residential Telephones In Use (millions)	96.00	120.00	145.00	170.00	210.00
Retail Sales (millions of units)	—	—	7.20	19.00	25.00
Sales Volume (millions)	—	—	310.00	930.00	1,475.00
ANSWERING MACHINES					
Per 1,000 households	—	12.80	29.90	77.50	193.30
Sales (thousands of units)	—	300.00	839.00	1,400.00	2,500.00
Sales (millions of $)	—	60.00	134.00	184.00	320.00

Source: Predicasts, Electronic Home of the Future, 1983.

Phone Biz Growing Fast

(Continued from page 23)

Margins run at about 28%, Hollaway indicated.

Heck's also expected to move into the A.T.&T. line this year, according to John Brandon, dmm, who also said he'll drop the one-piece phones altogether, even on a promotional basis.

Instead, he said he'll stick with name brands, such as G.T.E., using some knockoff imports like the slimline, priced at $29.

"There's no question that the first half this year will be stronger than even the fall of last year," he said, "simply because of the heightened consumer awareness."

At Danners, buyer Dave Paris said he expected a 15% increase overall in the telephone business this year. He added that during the show he'll sit down with A.T.&T. to review the program.

Danners has been carrying a phone assortment that included G.E., Webcor, US Tron and Kraco, ranging in price from $12.99 to $169. He said the cordless phones have been his best sellers.

ALCO's buyer Richard Millner also planned to talk with A.T.&T. during the show, despite his intention generally to stay away from the other "big names."

The Kansas-based chain has given most space to Unisonic and Soundesign telephones with the overall price range from $9.99 to $150.

Whether the chains ultimately decide to accept the Phone Booth program or not, virtually all indicated that they planned to step up their assortments.

"The first year of this business was somewhat clouded in anticipation of the divestiture and while consumers got used to the idea of owning their telephones," A.T.&T.'s Franks said. "Our own research indicated that despite whom the purchase is made with, there will only be a leased base of about 10 million phones in five years. And, that will be the irreducible minimum." That's on a current installed based of at least 90 million units, Franks added.

Wags Plans $4.5 Million Stock Issue

(Continued from page 1)

group mm for H&BA, cameras, toys, lawn and garden, giftware, pet supplies and foodsundries.

Wags' potential may be gauged from financial figures in the company's red-herring prospectus for the sale of one million shares at a proposed $4.50 a share, along with results from the much larger Pic 'n' Save and Wal-Mart, the discount industry's No. 2 chain.

Wags' results cover two separate periods: a formation stage from Aug. 3, 1982 to April 30, 1983, when it had one 7,000-sq.-ft. store in Weehawken, N.J., in operation and had just opened a 6,400-sq.-ft. unit on Staten Island, N.Y., and the six months ended Oct. 31, 1983, when it had a 9,900-sq.-ft. Wags in Jersey City, N.J., as its third store.

(Wags in November 1983 opened 10,300-sq.-ft. and 8,100-sq.-ft. units in Totowa and Bricktown, N.J., respectively, and signed a lease for a 6,400-sq.-ft. store in a shopping center now under construction in Montclair, N.J.)

Sales in the formation stage amounted to $945,854 and net income was $31,457 or 3.3% of sales. The gross profit (as a percentage of sales) was 44%.

In the six-month period, volume was $1,527,860 and net earnings were $69,854 or 4.5% of sales. Gross profit remained at 44%.

Pic 'n' Save, the only major publicly held closeout chain, in the fiscal year ended Dec. 31, 1982, had net income that amounted to 15.2% of sales while its gross margin was 54.6%.

Wal-Mart, one of the most profitable discounters, in the fiscal year ended Jan. 31, 1983, had net earnings of 3.7% of sales, while its gross profit was 27.2%.

Key to the high gross profit percentage of Wags (and of other closeout chains) lies in the company's method of buying discontinued and excess merchandise, the backbone of its inventory. The prospectus noted that Wags makes most of its purchases from manufacturers and wholesalers "at substantial reductions from generally prevailing wholesale prices."

Wags buys about 80% of its mix this way, with the balance consisting "of continuing product lines which are purchased from suppliers at generally prevailing wholesale prices," according to the prospectus.

Sales Examined

A category breakdown of sales shows that housewares accounts for 24%; electronics, 18%; apparel, 16%; toys and sporting goods, 16%; domestics, 11%; hardware and auto accessories, 10%, and H&BA, 5%.

Wags plans to acquire a warehouse to enhance its ability to purchase and store large quantities of closeouts and other opportunistic buys as they become available.

The $4.5 million projected to be raised from the stock offering includes $400,000 for a warehouse and $500,000 for inventory, fixtures, vehicles and other equipment for the facility.

Other uses of the funds will include $200,000 to repay a bank loan used for working capital and preopening expenses for the stores in operation; $350,000 for inventories for the two stores opened in November 1983, and $1.9 million to finance the planned eight new stores.

The remaining amount, less an undetermined sum for underwriters, discounts and commissions, is to be used for working capital and general corporate purposes.

Wags "believes" the public offering will provide "adequate funds to finance" the eight new stores and provide "sufficient working capital to meet its cash requirements for at least one year."

Units are to be located in the high-traffic centers that will enable Wags to feed off the customer draw of other larger retailers, thereby avoiding the need to do extensive advertising. Of the five stores already opened, the units in Weehawken, N.J., and on Staten island, N.Y., are in enclosed shopping malls anchored by Pathmark Super Centers. Those in Jersey City, Totowa and Bricktown, N.J., are in strip center recycles of ex-Two Guys.

The public offering will give Wags a 2,050,000 share float. The one million shares offered to the public accounts for 48.8% of the total, but the $4.5 million expected to be obtained from the sale will amount to 93.9% of the funds raised for the company.

Initial private investors obtained 1,050,000 shares at an average price of 28¢ a share for a total of $290,000 that first financed the company.

After the offering is completed the largest stockholders and their percentage will be Harris, Merlo and George B. Levine, a director since Wags' inception, with 13.9% each, while Seylaz will have 6.3%. These four purchased their stock for approximately 19¢ a share.

Closeout Stores Multiply

(Continued from page 1)

of sales as an average, executives said.

One executive noted: "People are reluctant to talk about the business because it's so profitable. Even the sales figures they [companies] give are often much less than what they are really doing."

The savings of 40% to 70% that the closeout retailer offers can be found on an ever-changing mix of goods that ranges from dog food and plastic feeding dishes to wedding dresses

The industry has two different roots: companies that deal mainly in salvage goods, with merchandise obtained from fire, railroad and marine insurance firms as the major sources, and stores that handle closeouts, overruns and odd lots from manufacturers, importers and, occasionally, traditional retailers.

The catholix mix found in most closeout and salvage stores changes constantly and there generally isn't any merchandise continuity. A few, however, have up to 10% of their assortment in continuity items that can range from H&BA and sundries to hardware .

But, merchandising for closeout stores is a vastly different world from that of discounters, catalogers and other traditional retailers.

Sam Osman, the retired founder of Job Lot who became one of the industry's fathers by opening his first store just after World War II, explained:

"We work backwards by first deciding if we can sell an item and at what price. Then we discuss [with the supplier] the price that we will buy the merchandise. We don't have a set markup as each item has to be judged on its own merits."

William (Rube) Vine, president of Railroad Salvage, one of the few salvage operators to make the transition to a closeout retailer, detailed the reasons why merchandise for closeout and odd-lot stores is always around:

"In tough times, manufacturers and importers spin off inventories to raise cash so that they don't have to owe banks a lot of money.

"In good times, manufacturers are prone to try out new products. They also overproduce as sales are good and they need to build up stocks to meet growing demands from traditional retailers."

But, Job Lot Trading's Cohen warned: "You have to know where the opportunities are in the marketplace. You have to dig for it. Then you have to make a deal that the manufacturer can live with, and that you can live with."

A number of other common threads unite closeout and salvage retailers.

John Marin, a partner in County Dump, which does both types of retailing, explained that "the most important thing in this business is our word. We have to establish and maintain good relationships with all our sources of supply."

Jerry Ellis, president of Building 19, predominantly a salvage retailer, added: "We have to take good care of our sources of supply and our customers. If a supplier doesn't want the brand name of a product advertised, then we don't mention the name. And we have a liberal return policy for customers because our business is geared to never losing a shopper."

The infusion of chain operators into the closeout field "has given stability to the industry," said Charles S. Huber, chief executive officer of Shoppers' Choice. He changed Century House, a catalog showroom chain, into a closeout retailer because of the greater profits and potential of the closeout industry.

But, Arthur Frankel, president of Pic 'n' Save, so far the only publicly held company in the field, said closeout retailers are still entrepreneurs, rather than a retail industry.

He explained that his 85-store operation is still geared to react on a small scale, rather than a chainwide basis. "There aren't any minimum quantities that we will buy," he said. "We can put goods into just a few stores or into a limited market area if the quantities aren't enough for all our stores or if the manufacturer doesn't want the goods to go into an area that could upset his regular distribution."

Still, the potential for a chain operation has attracted a number of companies.

Consolidated International, a national wholesale and liquidator company, launched a chain of seven closeout stores 10 months ago called Odd Lots in the Greater Columbus, Ohio, Area and plans to open 30 units in other markets this year. Treasurer Mark Lang said, "It's difficult to say when the country will get oversaturated with closeout stores—or when there will be a lack of goods to support the industry."

[To be concluded.]

Job Lot Trading Appoints Goldman

NEW YORK—Arnold Goldman has been named president of Job Lot Trading, the pioneer closeout off-price specialty retailer.

Goldman has been president of Hammacher Schlemmer, the hard lines specialty store. He had also worked for Bloomingdale's, including serving as merchandise manager of The Main Course, its upscale housewares department.

Concurrently, Meyer Bader has joined Job Lot as the company's sixth merchandiser. He had been merchandise manager of the two-store Masters discount chain.

Time Is Right For MSX

(Continued from page 26)

porting MSX. The consumer is ready to step in with his dollars to make it all work.

Recent market research has shown that 22% of the people who intend to buy a computer in the next six months plan to buy it at a "discount department store or other department store." (That's going to be tough, since there's nothing on the shelf; but that's what they intend.)

A third of the purchase-intenders expect to spend less than $500—which in the next six months, means Commodore 64 and the Atari 600XL and 800XL machines.

The time is right for mass merchandisers to approach the Japanese MSX manufacturers. There is a strong demand for home computers under $500, from dependable high-volume vendors, and strong retail distribution is available through the nation's discount department stores and catalog showrooms.

In the meantime, get your software merchandising set for the high-end home market that is developing. IBM probably won't talk to you about selling the PCjr (yet). But, PCjr software will soon be available, and you should be in that market in a big way. Apple and IBM PC software are other categories to invest in, and so are KD computer furniture, accessories and books. They're all high-margin items, and will keep you in the public's mind as a computer materials source.

Take a look at alternative distribution, too. Companies that provide catalogs for mail-order business in your stores, and at least one company with an electronic distribution system are around, and can provide low-cost alternatives to risky software inventory investments.

Doug Stinson is the publisher and editor of The Stinson Report, *a market research newsletter for the microcomputer industry, Schoharie, N.Y. 12157.*

Clarification

A story on the potential for computer break-ins, appearing in the Oct. 10, 1983, issue of *DSN*, should have stated: "Chains such as K mart, Wal-Mart and Hills would be especially vulnerable to remote tampering, according to Korte's definition, because of their many telecommunications links." The original article implied that Richard Korte, of Price Waterhouse, had named those firms.

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0007122 DEC84DS
CONGRESSIONAL SOURCE INFO
4520 EAST/WEST HIGHWAY EL
BETHESDA MD 20814

NSGA Show Section: Pp. 17-24
Kids' Wear Scores in Poll: P. 31

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 23, NO. 2 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | JANUARY 23, 1984

Job Lot Trading's Fifth Avenue store creates a bargain atmosphere through the use of pushcarts for displayers, hand-lettered signs and the name of an area in Madrid famous for its flea market.

Garb Buyers Hedge For Easter; Will Stress Twills, Not Frills

By KAREN PAXTON

This year's late Easter is a potential thorn in the apparel side of discounter's spring business.

To avoid being stuck with markdowns on dress-up looks late in April when summer playwear is hot, soft lines merchandise managers are buying lighter for Easter and pumping up more casual spring styles.

In fact merchandisers who saw slow action in traditional frills for holiday '83 have labeled 1984 "a casual year for apparel."

Short-sleeve cotton sweaters in "raw" beige tones or pastels, cotton twill separates in light colors for girls and ladies plus suits in dusty roses and lilacs for ladies are expected to sell well before the end of March.

Girls' dresses are the only dress-up items soft lines execs expect will move well during the final weeks before the April 22 holiday.

Merchandise managers at more fashion-oriented chains made the most dramatic changes in buying strategy this spring. Buys of dress-up looks for Easter were cut by 80% at Ames and by 30% at Gold Circle.

Executives at Zayre, Hills, K mart and Venture agreed that dressy looks are slowing, but made less of a turnaround in their buying strategies for spring.

K mart is buying the same level of Easter merchandise as last year, when Easter occurred three weeks earlier, according to Larry Parkin, vice chairman of K mart Apparel. "But, with Easter so late we will pick up sales earlier, and those sales won't be one item for one occasion," he explained.

By the week before Easter, Parkin expects, the mix in ladies' and children's wear will be about 68% summer items and 32% spring goods. Less than half of those spring items will be dress-up Easter looks.

In apparel, Parkin expects first-quarter sales to be 8% to 10% higher than last year's. Second-quarter apparel sales should reflect gains of 20% to 13%, he added.

At Ames, soft lines vp Steve Silver plans to hold the Easter mix down to 15% of the assortment during spring. He hopes changes in the apparel strategy will win at least a 10% gain in same-store sales of apparel for the first quarter.

The goods he will feature for Easter include separates in cotton twills and lightweight fabrics rather than dresses this

(Continued on page 42)

Closeout-Field Expansion Sparked by Dozen Chains

By ARTHUR MARKOWITZ

[Second of two articles on the growing closeout industry.]

About a dozen public and privately held companies have sparked the growth of closeout, odd lot, surplus and salvage stores into an industry.

Almost all of these companies focus on closeout and surplus merchandise, rather than salvage items, and they account for most of the industry's sales and stores, including the 100-plus new units being projected for this year.

The eclectic nature—and heritage—of the closeout industry are evident from the top chains and their growth plans, including the following:

- New York-based Odd Lot projects the greatest expansion of any company, with 50 to 60 stores planned for this year, including about 20 in a joint venture with the Ohio-based Revco discount drug chain. Odd Lot's 75 current units include 25 in Florida and Michigan jointly operated with Revco, with the latter handling the site selec-

(Continued on page 11)

IN BRIEF

- **K MART WILL EXPAND THE NEW SHADOWS LADIES'** wear line (above) this year according to Larry Parkin, vice chairman of K mart Apparel. Polyester separates geared for a mature or career-oriented woman debuted in the stores for holiday '83. The first offerings included pants, two styles of skirts and a jacket in black plus a white ruffled blouse and two black and white print blouses. Prices ranged from $14 to $20. *(DSN photo)*

- **CURRENT FRED MEYER SHAREHOLDERS WILL BE** the major benefiters of the chain's move to go public. By investing 42% of the $145 million needed to go public, they will walk away with 71% of the approximately six million newly issued shares, according to the latest prospectus.

- **PAY 'N SAVE HAS BEGUN A SIX-MONTH TEST OF THE** new NCR 2126 scanning system in its 30,000-sq.-ft. Seattle University Village store, with planned rollout to 12 more stores by September if results warrant. Of the unit's 19,200 sku's, 60% are scannable.

- **K MART IS MOVING DEEPER INTO HOME IMPROVE-**ment. By year's end, the chain will increase from 43 to 150 the number of home care (combined home improvement and hardware) departments it runs. Also, in the planning stages for late 1984: a chain of freestanding home improvement centers. A former Home Depot executive has been hired to investigate the project.

Digest

Jan. 23, 1984

HOUSEWARES

- **Collectible dolls are scoring** with catalogers, but haven't been added by most discounters. (p. 15)

SPORTING GOODS

- **Buyers on the eve of the** NSGA show envisioned a big year, muscled by strong exercise gear sales. (section, pp. 17-24)

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Widespread Cost Boosts Expected by Toy Buyers

By LARRY CARLAT

Toy buyers won't be surprised to see higher prices and an abundance of licensed goods among thousands of new product introductions at next month's Toy Fair in New York.

Around the country, many chain buyers anticipate manufacturers will take advantage of last year's resounding success and up the initial ante 10% to 20%.

Leading the way is Coleco, the volatile manufacturer of Cabbage Patch Kids, which recently increased the cost of the hard-to-find dolls $4—from $18.50 to $22.50. The 18% hike was effective immediately and applied to all back orders.

Buyers are quick to admit their hands are tied; consumer demand is still at a fever pitch. Many chains are expecting shipment of the product sometime in March.

"I'm banking on Cabbage Patch for the first quarter," said Dale Thomas, buyer for Pamida, "although I don't think their sales will be nearly as dynamic by the end of the year." Pamida experienced the biggest December in the history of the company and Thomas projects at least a 10% sales increase in toys this year.

In contrast, Maloney's buyer, Jim Mules, said the Kentucky-based chain just about broke even and cited the problem of obtaining terms from manufacturers while the chain is struggling through Chapter 11 reorganization.

"We missed out on a tremendous amount of business. The demand was very high and we just never had sufficient product," he said.

But, most buyers saw significant increases and pegged that success on Cabbage Patch Kids; although not in stock, the phenomenon reopened the door to

(Continued on page 34)